

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
FINANCIAL STATEMENTS

FOR THE YEAR ENDING  
MARCH 31, 2008

**Auditing Procedures Report** V1.04

Issued under Public Act 2 of 1968, as amended.

Unit Name: Munro Township	County: CHEBOYGAN	Type: TOWNSHIP	MuniCode:
Opinion Date-Use Calendar: Aug 4, 2008	Audit Submitted-Use Calendar: Aug 11, 2008	Fiscal Year-Use Drop List:	2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

- ☒ 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- ☒ 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- ☐ 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- ☒ 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- ☒ 5. Did the local unit adopt a budget for all required funds?
- ☒ 6. Was a public hearing on the budget held in accordance with State statute?
- ☒ 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- ☒ 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- ☒ 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- ☒ 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- ☒ 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- ☒ 12. Is the local unit free of repeated reported deficiencies from previous years?
- ☒ 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it?
- ☒ 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- ☒ 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- ☒ 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- ☐ 18. Are there reported deficiencies? ☐ 19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 118,321.00
General Fund Expenditure:	\$ 109,798.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 212,063.00
Governmental Activities Long-Term Debt (see instructions):	

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name): Joseph	Last Name: Kosanke	Ten Digit License Number: 1101027629		
CPA Street Address: 201 S. Main	City: Cheboygan	State: MI	Zip Code: 49721	Telephone: +1 (231) 627-4396
CPA Firm Name: Nieland & Kosanke, PC	Unit's Street Address: 9075 Levering Rd	City: Levering	LU Zip: 49755	

# NIELAND & KOSANKE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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DANIEL R. NIELAND, C.P.A.  
JOSEPH D. KOSANKE, C.P.A.

MEMBER  
AMERICAN INSTITUTE OF CERTIFIED  
PUBLIC ACCOUNTANTS  
AND  
MICHIGAN ASSOCIATION OF CERTIFIED  
PUBLIC ACCOUNTANTS

Supervisor and Members Of  
The Township Board of Trustees  
Munro Township  
Cheboygan County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of Munro Township, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of government activities, each major fund and the aggregate remaining fund information of Munro Township as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated August 4, 2008, on our consideration of Munro Township's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing; and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, and budgetary comparison information on pages 4 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Munro Township's basic financial statements. The schedules listed as other supplemental information in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of Munro Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nieland & Kosanke, P.C.*  
Certified Public Accountants

August 4, 2008  
Cheboygan, Michigan 49721

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING MARCH 31, 2008

The Management's Discussion and Analysis for Munro Township covers the Township's financial performance during the year ended March 31, 2008.

Financial Highlights

Our Financial status remained stable over the last year. Net assets increased from \$458,933 to \$460,281 for an increase of \$1,348. Overall revenue was \$120,577. Taxable value increased by approximately \$2,200,000 to \$31,054,142.

The Township incurred no new debt.

Overview of Financial Statements

This annual report consists of three parts, Management's Discussion and Analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Entity-Wide Financial Statements

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING MARCH 31, 2008

Entity-Wide Financial Statements (continued)

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity, you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All activities of the Township are reported as governmental activities, and there are no business type activities. Governmental activities include the General Fund, Liquor Law Enforcement Fund, Road Fund and Township Improvement Fund.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds, focusing on significant funds and not the Township as a whole. In the section for other supplement information, the General Fund revenue and expenditures are shown on the line item basis. Funds are used to account for specific activities or funding sources. Law requires some funds. The Township Board may also create them. Funds are established to account for funding and spending financial resources and to show proper expenditures of those resources.

The Township has the following funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Cemetery Fund, Liquor Law Enforcement Fund and Road Fund.

Financial Analysis of the Township as a Whole

Our cash position in all governmental activities remains strong. Year-end cash position of all funds is as follows:

General Fund	\$ 210,278
Cemetery Memorial Fund	12,284
Liquor Law Enforcement Fund	2,203
Road Fund	<u>305</u>
 Total Government Fund Cash	 <u><u>\$ 225,070</u></u>

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING MARCH 31, 2008

Financial Analysis of the Township's Funds

Individual fund balances remain solid, as indicated by year-end balance and net change reflected below:

	Balance March 31, <u>2007</u>	Balance March 31, <u>2008</u>	Increase (Decrease) <u></u>
General Fund	\$ 203,540	\$ 212,063	\$ 8,523
Cemetery Memorial Fund	11,365	12,284	919
Liquor Law Enforcement Fund	2,229	2,203	(26)
Road Fund	<u>376</u>	<u>305</u>	<u>(71)</u>
	<u>\$ 217,510</u>	<u>\$ 226,855</u>	<u>\$ 9,345</u>

Capital Assets and Long-Term Debt Activity

The Township's total capital outlay in governmental funds was \$17,082 for the year ended March 31, 2008. There was no long term debt activity either new borrowing or principal repayment.

Significant Events – Past Fiscal Year

The Township replaced the windows in the Township Hall. The total cost including materials and installation was approximately \$17,000.

Factors Affecting Future Operations

Currently, Munro Township receives fire protection primarily from the Inverness Fire Department through its affiliation with the Joint Administrative Fire Board. Through this relationship, the Township is a part owner of a Fire Hall in Inverness Township. The Fire Board has been discussing the possibility of building a new fire hall to replace the current one. Munro Township may determine that it does not wish to assist in the funding for the new hall and as an alternative may potentially have their portion of ownership of the existing fire hall bought out prior to the construction of the new one. Proceeds from the buyout would be approximately \$15,000. The buyout would not result in change in the amount of fire service the Township will receive.

General remodeling, maintenance and improvements will be made to the Township Hall during the fiscal year ending March 31, 2009. Totals costs are expected to be approximately \$8,000.

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING MARCH 31, 2008

Contacting the Township's Management

This financial report is designed to provide our citizens, taxpayers, and other interested parties with a general overview of Munro Township's finances and also to show the accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Munro Township Clerk, at 9075 Levering Road, Levering, MI 49755.



## GENERAL PURPOSE FINANCIAL STATEMENTS

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
STATEMENT OF NET ASSETS  
FOR THE YEAR ENDING MARCH 31, 2008

	Primary <u>Government</u> Government <u>Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash Checking	\$ 17,999
Cash Savings	166,967
Cash Certificates	40,104
Taxes Receivable	<u>3,388</u>
Total Current Assets	228,458
NON-CURRENT ASSETS:	
CAPITAL ASSETS:	
Land	9,766
Buildings and Improvements	284,763
Furniture and Equipment	23,081
Accumulated Depreciation	<u>(84,184)</u>
Total Non-Current Assets	<u>233,426</u>
Total Assets	<u><u>\$ 461,884</u></u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts Payable	\$ 166
Accrued Payroll	<u>1,437</u>
Total Current Liabilities	1,603
Total Liabilities	<u>1,603</u>
NET ASSETS:	
Invested in Capital Asset, Net of Related Debt	233,426
Unrestricted	<u>226,855</u>
Total Net Assets	<u>460,281</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 461,884</u></u>

The accompanying notes are an integral  
part of these financial statements.

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDING MARCH 31, 2008

					Net Expense And (Revenue) Changes In <u>Net Assets</u>
					<u>Primary Government</u>
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Government Activities</u>
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
General Services and					
Administration	\$ 80,736	\$ -	\$ -	\$ -	\$ 80,736
Public Safety	29,274	-	-	-	29,274
Public Works	<u>9,219</u>	<u>(759)</u>	<u>-</u>	<u>-</u>	<u>8,460</u>
TOTAL GOVERNMENT ACTIVITIES	<u>119,229</u>	<u>(759)</u>	<u>-</u>	<u>-</u>	<u>118,470</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 119,229</u>	<u>\$ (759)</u>	<u>\$ -</u>	<u>\$ -</u>	118,470
GENERAL REVENUES:					
Taxes					59,610
State Shared Revenue					52,349
Interest Earnings					5,371
Other					<u>2,488</u>
TOTAL GENERAL REVENUES					119,818
CHANGE IN NET ASSETS					1,348
NET ASSETS - BEGINNING					<u>458,933</u>
NET ASSETS - ENDING					<u>\$ 460,281</u>

The accompanying notes are an integral  
part of these financial statements.

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
BALANCE SHEET  
FOR THE YEAR ENDING MARCH 31, 2008

	Major Governmental <u>Funds</u>		<u>Non-Major Governmental Funds</u>		
	General <u>Fund</u>	Cemetery Memorial <u>Fund</u>	Liquor Law Enforcement <u>Fund</u>	Road <u>Fund</u>	<u>Total</u>
ASSETS:					
Cash Checking	\$ 3,207	\$ 12,284	\$ 2,203	\$ 305	\$ 17,999
Cash Savings	166,967	-	-	-	166,967
Cash Certificates	40,104	-	-	-	40,104
Taxes Receivable	<u>3,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,388</u>
TOTAL ASSETS	<u>\$ 213,666</u>	<u>\$ 12,284</u>	<u>\$ 2,203</u>	<u>\$ 305</u>	<u>\$ 228,458</u>
LIABILITIES AND FUND BALANCE:					
CURRENT LIABILITIES:					
Accounts Payable	\$ 166	\$ -	\$ -	\$ -	\$ 166
Accrued Payroll	<u>1,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,437</u>
Total Current Liabilities	1,603	-	-	-	1,603
Total Liabilities	<u>1,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,603</u>
FUND BALANCE:					
Unreserved	<u>212,063</u>	<u>12,284</u>	<u>2,203</u>	<u>305</u>	<u>226,855</u>
Total Fund Balance	<u>212,063</u>	<u>12,284</u>	<u>2,203</u>	<u>305</u>	<u>226,855</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 213,666</u>	<u>\$ 12,284</u>	<u>\$ 2,203</u>	<u>\$ 305</u>	<u>\$ 228,458</u>

The accompanying notes are an integral part of these financial statements.

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDING MARCH 31, 2008

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS	\$ 226,855
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Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>233,426</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$460,281</u>
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MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDING MARCH 31, 2008

	Major Governmental Funds		Non-Major Governmental Funds			
	General Fund	Cemetery Memorial Fund	Liquor Law Enforcement Fund	Road Fund	Total	
REVENUE:						
Taxes	\$ 59,610	\$ -	\$ -	\$ -	\$ 59,610	
State Shared Revenue	51,771	-	578	-	52,349	
Interest Earnings	5,252	119	-	-	5,371	
Other	<u>1,688</u>	<u>800</u>	<u>-</u>	<u>759</u>	<u>3,247</u>	
Total Revenue	118,321	919	578	759	120,577	
EXPENDITURES:						
General Government	72,739	-	-	-	72,739	
Public Safety	28,670	-	604	-	29,274	
Public Works	8,389	-	-	830	9,219	
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total Expenditures	<u>109,798</u>	<u>-</u>	<u>604</u>	<u>830</u>	<u>111,232</u>	
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	8,523	919	(26)	(71)	9,345	
FUND BALANCE - BEGINNING	<u>203,540</u>	<u>11,365</u>	<u>2,229</u>	<u>376</u>	<u>217,510</u>	
FUND BALANCE - ENDING	<u>\$ 212,063</u>	<u>\$ 12,284</u>	<u>\$ 2,203</u>	<u>\$ 305</u>	<u>\$ 226,855</u>	

The accompanying notes are an integral part of these financial statements.

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDING MARCH 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$	9,345
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation Expense	<u>\$ 7,997</u>	<u>7,997</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>1,348</u>
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MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
FOR THE YEAR ENDING MARCH 31, 2008

	Agency Fund Type Property Tax <u>Collection Fund</u>
ASSETS:	
Cash	\$ <u>437</u>
TOTAL ASSETS	\$ <u><u>437</u></u>
LIABILITIES:	
Due Other Funds	\$ <u>437</u>
TOTAL LIABILITIES	\$ <u><u>437</u></u>

The accompanying notes are an integral  
part of these financial statements.



MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING MARCH 31, 2008

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Township of Munro in Cheboygan County, Michigan, have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) which do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

**(1) REPORTING ENTITY**

Munro Township is an incorporated Township, which operates under a Supervisor – Board form of government. The Township provides the following services: public safety, highways and streets, sanitation, public improvements and general administrative services.

The Township has considered all potential component units in valuating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement 14 of the Government Accounting Standards Board (GASB), *The Financial Reporting Entity*. The basic criteria includes the appointment of a voting majority of the governing board of the unit; legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township's financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Township. There are no component units to be included in these statements.

The financial reporting entity of Munro Township includes all funds and accounts of the Township.

**(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT -WIDE FINANCIAL STATEMENTS**

Munro Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING MARCH 31, 2008

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. Munro Township does not have any activity that is classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of Munro Township's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating – specific and discretionary (either operating or capital) grants while the capital grants column reflects capital – specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of Munro Township as an entity and the change in net assets resulting from the current year's activities. The effect of inter-fund activities has been removed from these statements.

**(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS**

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING MARCH 31, 2008

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Government Funds**

The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- General Fund – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- Cemetery Memorial Fund – This fund is for funds to be set aside for ongoing expenses and future improvements of the cemetery.
- Liquor Law Enforcement Fund – This is a State mandated fund to fund liquor establishment inspection.
- Road Fund – The Road Fund is used to account for resources to be used for road development and improvement. Revenues are from both charges for services and transfer from the General Fund.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

**(4) BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**Accrual**

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider has been met.

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING MARCH 31, 2008

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

**(5) FINANCIAL STATEMENT AMOUNTS**

**Budgets**

All governmental funds are under formal budgetary control. Budgets shown in the financial statements as "GAAP Basis" are adopted on a basis consistent with generally accepted accounting principles (GAAP) and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget approved and amended by the Township Board. Budgets are adopted on the departmental level and control is exercised on that level.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of five years.

All capital assets are valued historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land Improvements	40 years
Building, Structures and Improvements	40 years
Equipment	5-10 years

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING MARCH 31, 2008

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes

Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Inter-fund Activity

All inter-fund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Vacation and Sick Leave

The Township has no liability for accumulated vacation or sick leave.

**NOTE B – COMMON CASH ACCOUNTS AND SHORT-TERM INVESTMENTS**

Cash equity in the common bank accounts of the Township is utilized by the various funds is as follows:

	<u>Checking</u>	<u>Savings</u>	Certificate of <u>Deposit</u>
General	\$ 3,207	\$ 166,967	\$ 40,104
Cemetery	12,284	-	-
Liquor	2,203	-	-
Road	<u>305</u>	<u>-</u>	<u>-</u>
	<u>\$ 17,999</u>	<u>\$ 166,967</u>	<u>\$ 40,104</u>

These deposits and interest payment accounts are with local financial institutions. All accounts are in the name of the Township. Interest is recorded when deposits mature or is credited to the applicable account.

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING MARCH 31, 2008

**NOTE B – COMMON CASH ACCOUNTS AND SHORT-TERM INVESTMENTS**

(continued)

Michigan Compiled Laws Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities or guaranteed by the Government National Mortgage Association; United States government or Federal Agency obligation repurchase agreements; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal or direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature no more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion Number 6168 states that public funds may not be deposited in the financial institutions located in states other than Michigan.

The Township deposits are in accordance with statutory authority. The Governmental Account Standards Board (GASB) Statement Number 3 risk disclosures for the Township cash deposit are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insurance (FDIC)	\$ 100,000
Uninsured	<u>125,070</u>
	<u>\$ 225,070</u>

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING MARCH 31, 2008

**NOTE C – CAPITAL ASSETS**

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at April 1, <u>2007</u>	<u>Additions</u>	<u>Disposals</u>	Balance at March 31, <u>2008</u>
GOVERNMENTAL ACTIVITIES:				
Land	\$ <u>9,766</u>	\$ -	\$ -	\$ <u>9,766</u>
Total Capital Assets, Not Being Depreciated	<u>9,766</u>	-	-	<u>9,766</u>
Buildings and Improvements	267,681	17,082	-	284,763
Furniture and Equipment	<u>23,081</u>	-	-	<u>23,081</u>
Total Capital Assets Being Depreciated	<u>290,762</u>	<u>17,082</u>	-	<u>307,844</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(58,269)	(6,206)	-	(64,475)
Furniture and Equipment	<u>(17,918)</u>	<u>(1,791)</u>	-	<u>(19,709)</u>
Total Accumulated Depreciation	<u>(76,187)</u>	<u>(7,997)</u>	-	<u>(84,184)</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 224,341</u>	<u>\$ 9,085</u>	<u>\$ -</u>	<u>\$ 233,426</u>

A depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General and Administrative	<u>\$ 7,997</u>
	<u>\$ 7,997</u>

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING MARCH 31, 2008

**NOTE D – TRANSFERS**

There were no transfers made between funds.

**NOTE E – BUDGET VARIANCES**

Budgets are adopted on the departmental level. The budgets shown in the section for other supplemental information are shown by line item for information only. Therefore, negative variance is significant on the departmental basis. Departmental budget variances are as follows:

<u>General Fund</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Expense:			
Township Board			
Membership and Dues	\$ 1,000	\$ 1,025	\$ (25)
Executive:			
Salary - Supervisor	3,850	4,015	(165)
Assessor			
Salary	9,135	9,526	(391)
Clerk			
Salary	7,090	7,394	(304)
Treasurer			
Salary	9,070	9,459	(389)
Township Hall			
Capital Outlay	1,000	17,082	(16,082)
 <u>Road Fund</u>			
Expense:			
Public Works			
Supplies	200	830	(630)



## SUPPLEMENTAL INFORMATION

## GENERAL FUND

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
GENERAL FUND  
BALANCE SHEET  
FOR THE YEAR ENDING MARCH 31, 2008

ASSETS:

Cash Checking	\$ 3,207
Cash Savings	166,967
Cash Certificates of Deposit	40,104
Taxes Receivable	<u>3,388</u>
 TOTAL ASSETS	 <u>\$ 213,666</u>

LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable	\$ 166
Accrued Payroll	<u>1,437</u>

TOTAL CURRENT LIABILITIES 1,603

TOTAL LIABILITIES 1,603

GENERAL FUND BALANCE 212,063

TOTAL LIABILITIES AND GENERAL FUND BALANCE \$ 213,666

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Current Property Tax	\$ 43,000	\$ 43,198	\$ 198
Delinquent Property Tax	3,200	3,388	188
Property Tax Administration Fees	13,000	13,024	24
State Shared Revenue - Sales & Use Tax	40,000	46,716	6,716
State Shared Revenue - Other	5,030	5,055	25
Interest Earnings	4,050	5,252	1,202
Other	<u>988</u>	<u>1,688</u>	<u>700</u>
TOTAL REVENUES	<u>\$ 109,268</u>	<u>\$ 118,321</u>	<u>\$ 9,053</u>
EXPENDITURES:			
GENERAL GOVERNMENT			
Legislative:			
Township Board			
Salaries	\$ 2,240	\$ 1,825	\$ 415
Supplies	100	34	66
Conferences and Workshops	2,310	830	1,480
Membership and Dues	1,000	1,025	(25)
Professional Services	4,700	1,378	3,322
Retirement Benefits	2,700	2,533	167
Printing and Publishing	1,200	678	522
Insurance	5,500	4,808	692
Transportation	100	68	32
Other Expenses	<u>650</u>	<u>124</u>	<u>526</u>
Total Legislative	<u>20,500</u>	<u>13,303</u>	<u>7,197</u>

The accompanying notes are an integral part of these financial statements.

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES: (continued)			
Executive:			
Salary - Supervisor	\$ 3,850	\$ 4,015	\$ (165)
Office Supplies	200	-	200
Transportation	500	500	-
Printing and Publishing	2,100	1,548	552
Office Rent	600	600	-
Convention Expenses	650	432	218
Other Expenses	<u>400</u>	<u>400</u>	<u>-</u>
Total Executive	<u>8,300</u>	<u>7,495</u>	<u>805</u>
Elections			
Salary	1,500	496	1,004
Office Supplies	200	17	183
Contracted Services	1,500	-	1,500
Printing and Publishing	300	-	300
Other Expenses	<u>50</u>	<u>-</u>	<u>50</u>
Total Elections	<u>3,550</u>	<u>513</u>	<u>3,037</u>
Assessor			
Salary	<u>9,135</u>	<u>9,526</u>	<u>(391)</u>
Total Assessor	<u>9,135</u>	<u>9,526</u>	<u>(391)</u>
Clerk			
Salary	7,090	7,394	(304)
Office Supplies	700	616	84
Transportation	300	300	-
Office Rent	<u>600</u>	<u>600</u>	<u>-</u>
Total Clerk	<u>8,690</u>	<u>8,910</u>	<u>(220)</u>

The accompanying notes are an integral part of these financial statements.

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES: (continued)			
Board of Review			
Salaries	\$ 800	\$ 782	\$ 18
Transportation	<u>100</u>	<u>-</u>	<u>100</u>
Total Board of Review	<u>900</u>	<u>782</u>	<u>118</u>
Treasurer			
Salary	9,070	9,459	(389)
Office Supplies	700	459	241
Transportation	300	300	-
Office Rent	600	600	
Other Expenses	<u>330</u>	<u>330</u>	<u>-</u>
Total Treasurer	<u>11,000</u>	<u>11,148</u>	<u>(148)</u>
Township Hall			
Salary	600	-	600
Hall Supplies	200	80	120
Contract Services	2,500	422	2,078
Utilities	1,200	1,078	
Capital Outlay	<u>1,000</u>	<u>17,082</u>	<u>(16,082)</u>
Total Township Hall	<u>5,500</u>	<u>18,662</u>	<u>(13,284)</u>
Cemetery			
Supplies	350	-	350
Contracted Services	2,400	2,400	-
Land Improvements	<u>500</u>	<u>-</u>	<u>500</u>
Total Cemetery	<u>3,250</u>	<u>2,400</u>	<u>850</u>
Total General Government	<u>70,825</u>	<u>72,739</u>	<u>(2,036)</u>

The accompanying notes are an integral part of these financial statements.

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES: (continued)			
PUBLIC SAFETY:			
Fire Department:			
Salary	\$ 950	\$ 876	\$ 74
Contracted Services	30,000	27,794	2,206
Capital Outlay	<u>1,400</u>	<u>-</u>	<u>1,400</u>
Total Public Safety	<u>32,350</u>	<u>28,670</u>	<u>3,680</u>
PUBLIC WORKS:			
Roads and Streets:			
Maintenance	25,800	5,029	20,771
Sanitation:			
Contracted Services	<u>5,000</u>	<u>3,360</u>	<u>1,640</u>
Total Public Works	<u>30,800</u>	<u>8,389</u>	<u>22,411</u>
TOTAL EXPENDITURES	<u>133,975</u>	<u>109,798</u>	<u>24,055</u>
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	<u>\$ (24,707)</u>	8,523	<u>\$ 33,230</u>
FUND BALANCE APRIL 1, 2007		<u>203,540</u>	
FUND BALANCE MARCH 31, 2008		<u>\$ 212,063</u>	

The accompanying notes are an integral part of these financial statements.

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENTS

CEMETERY MEMORIAL FUND

LIQUOR LAW ENFORCEMENT

ROAD FUND



MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
FOR YEAR ENDING MARCH 31, 2008

		Cemetery Memorial <u>Fund</u>	Liquor Law Enforcement <u>Fund</u>	Road <u>Fund</u>	<u>Total</u>
ASSETS:					
	Cash	\$ <u>12,284</u>	\$ <u>2,203</u>	\$ <u>305</u>	\$ <u>14,792</u>
TOTAL ASSETS		\$ <u>12,284</u>	\$ <u>2,203</u>	\$ <u>305</u>	\$ <u>14,792</u>
LIABILITIES AND FUND BALANCE:					
TOTAL LIABILITIES		\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
FUND BALANCE		<u>12,284</u>	<u>2,203</u>	<u>305</u>	<u>14,792</u>
TOTAL LIABILITIES AND FUND BALANCE		\$ <u>12,284</u>	\$ <u>2,203</u>	\$ <u>305</u>	\$ <u>14,792</u>

The accompanying notes are an integral  
part of these financial statements.

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES  
FOR THE YEAR ENDING MARCH 31, 2008

	Cemetery Memorial <u>Fund</u>	Liquor Law Enforcement <u>Fund</u>	Road <u>Fund</u>	<u>Total</u>
REVENUE:				
State Shared Revenue	\$ -	\$ 578	\$ -	\$ 578
Charges for Services	-	-	759	759
Interest Earnings	119	-	-	119
Other	<u>800</u>	<u>-</u>	<u>-</u>	<u>800</u>
				-
Total Revenue	<u>919</u>	<u>578</u>	<u>759</u>	<u>2,256</u>
EXPENDITURES:				
Public Safety	-	604	-	604
Public Works	<u>-</u>	<u>-</u>	<u>830</u>	<u>830</u>
				-
Total Expenditures	<u>-</u>	<u>604</u>	<u>830</u>	<u>1,434</u>
				-
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES:	919	(26)	(71)	822
FUND BALANCE - BEGINNING	<u>11,365</u>	<u>2,229</u>	<u>376</u>	<u>13,970</u>
FUND BALANCE - ENDING	<u>\$ 12,284</u>	<u>\$ 2,203</u>	<u>\$ 305</u>	<u>\$ 14,792</u>

The accompanying notes are an integral  
part of these financial statements.

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
CEMETERY MEMORIAL FUND  
BALANCE SHEET  
FOR YEAR ENDING MARCH 31, 2008

ASSETS:

Cash	<u>\$ 12,284</u>
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TOTAL ASSETS	<u><u>\$ 12,284</u></u>
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LIABILITIES AND FUND BALANCE:

Liabilities	<u>\$ -</u>
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TOTAL LIABILITIES	<u>-</u>
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FUND BALANCE	<u>12,284</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 12,284</u></u>
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MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
CEMETERY MEMORIAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES  
FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Sale of Lots	\$ 100	\$ 700	\$ 600
Donations	-	100	100
Interest	<u>50</u>	<u>119</u>	<u>69</u>
Total Revenues	<u>150</u>	<u>919</u>	<u>769</u>
EXPENDITURES:			
Public Works	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 150</u>	919	<u>\$ 769</u>
FUND BALANCE – APRIL 1, 2007		<u>11,365</u>	
FUND BALANCE – MARCH 31, 2008		<u>\$ 12,284</u>	

The accompanying notes are an integral  
part of these financial statements.

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
LIQUOR LAW ENFORCEMENT FUND  
BALANCE SHEET  
FOR YEAR ENDING MARCH 31, 2008

ASSETS:

Cash	<u>\$ 2,203</u>
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TOTAL ASSETS	<u><u>\$ 2,203</u></u>
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LIABILITIES AND FUND BALANCE:

Liabilities	<u>\$ -</u>
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TOTAL LIABILITIES	<u>-</u>
-------------------	----------

FUND BALANCE	<u>2,203</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,203</u></u>
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MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
LIQUOR LAW ENFORCEMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES  
FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE:			
State Shared Revenue	\$ <u>578</u>	\$ <u>578</u>	\$ <u>-</u>
Total Revenue	<u>578</u>	<u>578</u>	<u>-</u>
EXPENDITURES:			
Public Safety:			
Salaries and Wages	800	563	237
Payroll Taxes	<u>62</u>	<u>41</u>	<u>21</u>
Total Expenditures	<u>862</u>	<u>604</u>	<u>258</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (284)</u>	(26)	<u>\$ 258</u>
FUND BALANCE – APRIL 1, 2007		<u>2,229</u>	
FUND BALANCE – MARCH 31, 2008		<u>\$ 2,203</u>	

The accompanying notes are an integral  
part of these financial statements.

MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
ROAD FUND  
BALANCE SHEET  
FOR YEAR ENDING MARCH 31, 2008

ASSETS:

Cash	\$ <u>305</u>
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TOTAL ASSETS	<u>\$ 305</u>
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LIABILITIES AND FUND BALANCE:

Liabilities	\$ <u>-</u>
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TOTAL LIABILITIES	<u>-</u>
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FUND BALANCE	<u>305</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 305</u>
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MUNRO TOWNSHIP  
CHEBOYGAN COUNTY, MICHIGAN  
ROAD FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES  
FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Charges for Services	\$ 850	\$ 759	\$ (91)
Total Revenues	<u>850</u>	<u>759</u>	<u>(91)</u>
EXPENDITURES:			
Public Works:			
Supplies	<u>200</u>	<u>830</u>	<u>(630)</u>
EXCESS OF REVENUE OVER (UNDER)			
EXPENDITURES:	<u>\$ 650</u>	(71)	<u>\$ (721)</u>
FUND BALANCE – APRIL 1, 2007		<u>376</u>	
FUND BALANCE – MARCH 31, 2008		<u>\$ 305</u>	



OTHER

# NIELAND & KOSANKE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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DANIEL R. NIELAND, C.P.A.  
JOSEPH D. KOSANKE, C.P.A.

MEMBER  
AMERICAN INSTITUTE OF CERTIFIED  
PUBLIC ACCOUNTANTS  
AND  
MICHIGAN ASSOCIATION OF CERTIFIED  
PUBLIC ACCOUNTANTS

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To The Supervisor and Township Board of Trustees  
Munro Township  
Cheboygan County, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Munro Township of Cheboygan County, Michigan, as of and for the year ended March 31, 2008, and have issued our report thereon dated August 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Munro Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in a separate letter to management dated August 4, 2008.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Munro Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk of material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected

Munro Township  
Page 2  
August 4, 2008

within a timely period by employees in the normal course of performing their assigned functions. We noted matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. The reportable condition is described as follows:

Due to staff size, there is limited segregation of duties over cash receipts/disbursements and the recording of these transactions. The Township recognizes this risk, but no change will be implemented because the costs would exceed the benefits.

This report is intended solely for the information and use of the Audit Committee, management and Township Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

*Nieland & Kosanke, P.C.*  
Certified Public Accountants

August 4, 2008  
Cheboygan, Michigan 49721

# NIELAND & KOSANKE, P.C.

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PUBLIC ACCOUNTANTS  
AND  
MICHIGAN ASSOCIATION OF CERTIFIED  
PUBLIC ACCOUNTANTS

August 4, 2008

Munro Township  
Township Board  
Cheboygan County, Michigan

Re: Comments and Recommendations

We have examined the general purpose financial statements of Munro Township, Cheboygan County, Michigan, for the year ended March 31, 2008, and have issued our report thereon dated August 4, 2008.

Our examination was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*. Solely to assist in planning and performing our examination, we made a study and evaluation of the internal accounting controls of Munro Township. That study and evaluation was limited to a preliminary review of the system to obtain an understanding of the control environment and the flow of transactions through the accounting system. Because we are not relying on the entity's internal accounting control procedures to restrict our substantive tests, our study and evaluation of the internal accounting controls did not extend beyond this preliminary review phase. Accordingly, we do not express an opinion on the system of internal accounting control taken as a whole. Also, our examination made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the system of internal accounting control.

This report and accompanying recommendations are intended solely for the use of management and should not be used for any other purpose.

## Uniform Budgeting and Accounting Act (P.A. 621)

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process.

There were instances of unfavorable budget variances as shown in the supplemental data. The Board should review ongoing expenditures to budget and approve amendments as necessary. Generally, though the Board has approved payment, it may exceed the approved budget. The Board is currently approving the budget on an expenditure object basis. The State of Michigan allows budgeting on an activity basis. If the Board were to switch to an activity basis budget, it could potentially eliminate a lot of minor unfavorable variances that are present at the expenditure object level; but are compensated for and therefore eliminated at the activity level.

Currently, the Township is making significant deposits to its Municipal IMMA account. A portion of these deposits are retained by the Township as revenue and the remainder is transferred to other entities. Since this account serves as a savings account for Munro Township, it should not also be used as a primary deposit account for cash received by the Township as an agent. Cash received as an agent should be deposited into a separate tax account. This tax account should show a zero balance after receipts are distributed to the appropriate entity.

*Nieland & Kosanke, P. C.*  
Certified Public Accountants

August 4, 2008  
Cheboygan, Michigan

# NIELAND & KOSANKE, P.C.

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## SUPPLEMENTAL MANAGEMENT COMMUNICATION

To the Supervisor and Township Board  
Munro Township  
Cheboygan County, Michigan

We have audited the financial statements of Munro Township for the year ended March 31, 2008, and have issued our report thereon dated August 4, 2008. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility Under General Accepted Auditing Standards

As we stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected.

As part of our audit, we considered the internal control structure of the Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of my engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies adopted by the Township are described in Note A of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007/2008. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not, resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation With Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the government unit's financial statements or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise me to determine the consultant has all the relevant facts. There were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditor. However, these discussions occurred in the normal course of my professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

This information is intended solely for the use of the Township Board and management of Munro Township and is not intended to be and should not be used by anyone other than these specified parties.

*Nieland & Kosanke, P. C.*

Certified Public Accountants

August 4, 2008

Cheboygan, Michigan